157

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security classification)

DO NOT TYPE IN THIS SPACE
F790004-1130
714.00(W)/11-953

FOREIGN SERVICE DESPATCH

AMEMBASSY, GUATEMALA

306
DESP. NO.

THE DEPARTMENT OF STATE, WASHINGTON.

October 9, 1953
DATE

Action Assigned to

OCT 10 1953

ACTION	DEPT.
OAI-10	INFO DCA-2, I-3, IPS-1, IBS-2, U.VA-3
REC'D	OTHER
10/12	AAm/-35, MA/-39, A.R-24, OSI-4, CIA-1

Action Taken 10-14-53 IAD

SUBJECT: Joint Weeka No. 41 from State, Army and Air Departments from SA - Section I.

Action Office Symbol

Action Officer

SUMMARY

Developments of the past week further troubled the atmosphere of US-Guatemalan relations. President Arbenz named Sr. Alfonso BAUER Paiz, radical ex- Minister of Economy, to take temporary control of the US-owned International Railways of Central America, whose workers had gone on strike. A Labor Court, acting on Sr. Bauer Paiz's earlier report as government representative in temporary control of the US-owned Empresa Eléctrica, ruled that last July's strike at that company had been just and ordered the payment of the approximately 37% wage increase demanded by the workers. The Diario del Pueblo, organ of Minister of Interior Augusto Charnaud MacDonald's PRG, attacked Mr. John E. PEURIFOY, the US Ambassador-designate, in a front page article headed "Promoter of Greek Massacres Coming as Yankee Ambassador."

On the domestic scene, Sr. Francisco FERNANDEZ Foncea, Secretary General of the PAR, the leading Administration party, declared on the floor of Congress that all the Administration parties were transitory and destined to dissolve in the "great world Communist party" and that the Communist PGT was the best party in Guatemala. This forthright evidence of Communist orientation in the top PAR leadership increased the restlessness of rank and file PAR politicians who demanded that Sr. Fernández Foncea be summoned before the party Disciplinary Committee.

DEPARTMENT OF STATE
RECEIVED

AMERICAN INTERESTS

Government "Interventor" Assumes Temporary Control of IRCA. President Arbenz on the evening of October 7 named Sr. Bauer Paiz "Interventor" of the International Railways of Central America (IRCA), whose workers had gone on strike 24 hours previously, following the company's refusal to accede to the SAMF railroad workers' union's demands for a 25 per cent wage increase and other benefits (Weeka 40). Sr. Bauer Paiz assumed control and had service restored on October 8. Under the terms of the order, he will remain as "Interventor" until the dispute is settled.

JCHill:cs
10/9/53

UNCLASSIFIED
(Security classification)

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

FILE

FEB 19

This Document Must Be Returned To 714.00(W)/10-953

LMC

F790004-1131

The IRCA strike follows the pattern of the Empresa Eléctrica in July 1953, when Sr. Bauer Paiz, was also appointed "interventor." In that instance, under government orders, he examined the Empresa Eléctrica's books for the ostensible purpose of determining whether it could afford a wage increase, but actually submitted an extensive report on the whole range of the company's activities, charging that it was making excessive profits ($1,000,000 annually) to the detriment of the Treasury and the public (Weeka 39).

Empresa Eléctrica Strike Held "Just." On the basis of Sr. Bauer's report on the Empresa Eléctrica, a Labor Court ruled that the strike of the company's workers on July 16 had been "justified" within the meaning of the Labor Code and ordered the company to grant the wage increases demanded by the workers' union, which are calculated to be about 37 per cent over the present levels (Weeka 39). The company is appealing the ruling.

National Agrarian Department Denies Discrimination in UFCO Case: In an indication of a probable line of defense against the suggestion in the Department's August 28 Aide Memoire to the Guatemalan Ambassador that the United Fruit Company might have been discriminated against in Agrarian Reform expropriations, the National Agrarian Department this week inserted an advertisement in the local press stating that up to September 252 Guatemalan-owned properties had been expropriated as opposed to three American-owned properties; that the owners of the American properties had been awarded 26 per cent of the total indemnification; and that 265,000 acres of Guatemalan land had been expropriated as opposed to 240,000 acres of American-owned land.

The statement appeared as a substantial misrepresentation since it failed to point out that 48 per cent of the acreage expropriated was American-owned and that the "indemnification" consisted of Agrarian Reform Bonds maturing in up to twenty-five years. Moreover, the proportion of American lands involved in Agrarian Reform expropriations diminished from 58 per cent in June to 48 per cent at the end of August because no known American-owned properties were expropriated during that time, but if the pending expropriation of 174,000 acres of the UFCO's Atlantic coast properties goes through in the near future (Weeka 33), American-owned acres would again for a time be in the majority.

FOREIGN AFFAIRS

Leftist Newspaper Attacks Ambassador-Designate Peurifoy: The new leftist daily Diario del Pueblo on October 5 published an attack on Mr. John E. Peurifoy, US Ambassador-designate to Guatemala, under a front page headline reading "Promoter of

Greek Massacres Coming as Yankee Ambassador." The article charged that Mr. Peurifoy, as Ambassador to Greece, had been an instigator of the "Massacres of Greek guerrillas;" that he was "accustomed to interfere in the internal affairs of countries in which he represents the US;" and that his coming to Guatemala foreshadowed the probability of "a new imperialist intervention in our internal affairs."

The Diario del Pueblo is the organ of the Partido de la Revolución Guatemalteca (PRG) of which Minister of the Interior Augusto Charnaud MacDonald is Secretary General. Its editor is Sr. Alfonso Solórzano, the intellectual Communist who is Manager of the Guatemalan Institute of Social Security (IGSS), an autonomous government agency.

DOMESTIC AFFAIRS

PAR Leader States Administration Parties Destined to Disappear in Communist Movement: In remarks made during a Congressional debate this week on real estate developments for housing, Sr. Francisco Fernández Foncea, Secretary General of the Partido Acción Revolucionaria (PAR), stated that the PAR was a "transitory" party like the other Revolutionary Parties all of which were destined to form part of the "great world Communist Party," and that he supported the Communist Partido Guatemalteco del Trabajo (PGT) over any other party because it was the "most patriotic, decent, honest and logical party in the country."

This forthright statement provided a focal point for the mounting dissatisfaction of rank and file PAR politicians as Communist influence on the leftist Administration parties is more and more openly exerted (Weeka 40). Sr. Salvador CHICAS Carrillo and Lt. Col. Mario PAIZ Novales issued a manifesto in the name of the PAR Deputies repudiating the idea that the PAR was transitory; a meeting of PAR Deputies with the PAR Political and Executive Committees decided to refer the statement to the disciplinary committee; and there was talk of removing Sr. Fernández Foncea from the Secretary Generalship.

Dissension in the PRG Continues: Meanwhile, in the leftist Partido de la Revolución Guatemalteca (PRG) Sr. Emilio ZEA González, First Vice President of Congress, and six others of the party's fifteen deputies were reported to have met to consider withdrawing from the party despite last week's meeting between this moderate group and the PRG's Communist-line Political Committee to conciliate differences over the Deputies' noncompliance with the Political Committee's directives (Weeka 40). The party newspaper Diario del Pueblo flatly denied that a withdrawal was imminent, but Sr. Zea González indicated that no final decision on this point had been made.

From Guatemala

UNCLASSIFIED
(Classification)

Encl. [illegible]
Desp. No.
From

F790004-1133

Anti-Communist Leader Ordered Back to Jail: The court at the provincial capital of Salamá this week revoked the $10,000 bond on which Sr. Luis Valladares y Aycinena, Secretary General of the Partido Unificación Anticomunista (PUA), the leading Opposition party, was released from jail on grounds of illness in mid-September (Weeka 38). The court order, which also affected Colonels Guillermo FLORES Avendaño and Herlindo SOLORZANO, directed the three anti-Communists charged with complicity in the Salamá uprising last March to return to jail in twenty-four hours because they had engaged in "private activities not in keeping with a state of illness." Since their release, Sr. Valladares y Aycinena and Colonel Flores had made press statements accusing the police of mistreating them. The attorneys for the three filed appeals against the judge's ruling, but Colonel Solórzano without waiting the outcome sought and was granted asylum in the Nicaraguan Embassy.

LABOR

Communist Appointed Deputy Inspector General of Labor: The Government this week announced the appointment of Sr. Rufino ALVARADO Mendoza as Inspector General of Labor in the Ministry of Economy and Labor and of Sr. Hugo BARRIOS Klée, as Deputy Inspector General of Labor. The former was reported in the press to be a member of the RN and the latter, who has long been associated with Communist causes, to be a member of the Communist Partido Guatemalteco del Trabajo (PGT).

PSYCHOLOGICAL

Communist Sponsorship of "Democratic" Lawyers' Meeting Exposed: The anti-Communist Guatemala City independent press throughout the past week devoted several lead editorials and news columns to exposing the international Communist connections of the International Association of Democratic Lawyers (IADL) whose "Second Continental Congress" is scheduled to be held here October 14-18. These attacks induced the Government-owned Diario de Centro America as well as the Communist-oriented Nuestro Diario and the Communist Tribuna Popular to defend the IADL as a champion of "democratic liberties and the rights of man," and to excoriate the principal independent paper, El Imparcial, with broad charges of unethical journalism and reactionary tactics.

R. E. Schoenfeld

Rudolf E. Schoenfeld

Contributor: W.A.Krauss
Public Affairs Officer

cc: C.A. Missions & routine

UNCLASSIFIED